Delaware Life®

An index strategy with a twist

Have you ever overpaid for something you didn't use? Consider when you've purchased a mobile data plan and at the end of every month you find you've paid for unused data.

No one likes to pay for something they don't use, and this is true when looking for retirement solutions. But when it comes to complex retirement products, how do you know you aren't overpaying?

Are you overpaying in your FIA?

As the financial landscape grows increasingly complex, the appeal of fixed index annuities (FIAs) increases, especially for those nearing or entering retirement. FIAs offer a unique combination of safety, stability, and potential for growth that is tailored to meet the needs of individuals looking to secure their financial future with minimal risk.

FIAs are particularly beneficial because they provide the safety of principal protection against market losses and offer the opportunity to earn interest based on the performance of a stock market index, without direct investment in the market.[1] This means you can benefit from market upswings while being shielded from downturns—a crucial advantage in volatile economic times.

While there are a variety of indexes used in FIAs, indexes incorporating volatility control mechanisms that shift exposure between volatile assets and fixed-income assets can provide more stable returns. These volatility-controlled indexes can therefore offer higher participation rates and more consistent renewal rates.

What if you could pay for the actual volatility used versus relying on a guess?

Volatility control indexes are typically managed to a set target or volatility budget and pricing options are based on "implied volatility," an educated guess by the market on the future volatility. The volatility budget often ends up being larger than the actual realized volatility. If the actual market volatility ends up being lower than the volatility budget, you can end up paying for unnecessary protection, adding a drag to overall performance.

Introducing Delaware Life's participation rate with a volatility limit strategy

Delaware Life's participation rate with a volatility limit crediting strategy is an innovative approach to maximizing growth potential in FIAs. The **participation rate and volatility limit strategy** offers a sophisticated solution to the challenges of uncertain markets.

With its dual focus on controlling volatility and strategically setting a volatility limit, this strategy enhances growth opportunities and ensures **you only pay for the market volatility protection you use.**

Harnessing the power of a volatility control index

The first component of this unique strategy involves a volatility control index. Unlike traditional indexes, a volatility control index is specifically engineered to maintain a steady level of volatility. This is crucial because excessive volatility often detracts from consistent growth, leading to higher risk and potential loss. Volatility control can:

- **Reduce risk:** Lower volatility means fewer dramatic swings in portfolio value.
- **Provide steadier returns:** By smoothing out the ups and downs, the index facilitates a more consistent accumulation phase, potentially leading to higher long-term returns.

Strategic volatility budgeting

The second innovative aspect is the strategy's approach to managing volatility by setting a limit on how much change (volatility) it will tolerate in the index. For example, if we assign a volatility limit of 9.25% to an index that manages a 10% volatility target, we can offer a higher participation rate. Traditional FIAs estimate a volatility forecast to set caps, participation rates, or spreads, often leading to conservative estimates that can limit growth potential. Conversely, our volatility limit strategy tracks the actual accrued volatility throughout the year and ensures it does not exceed the volatility limit. We measure volatility by tracking the accrued variance during the term. The accrued variance is the value that is used to measure volatility in the index.*

On the first business day the accrued variance reaches the volatility limit, the strategy will lock in the index value on that date (the expiry date).

Once locked in, this index value will be used at the end of the term to determine any index interest credit, even if the index value increases or decreases between the lock-in date and the end of the term.

This can be particularly beneficial in turbulent market conditions, where high volatility often correlates with market downturns.

Enhanced upside without forecasting pitfalls

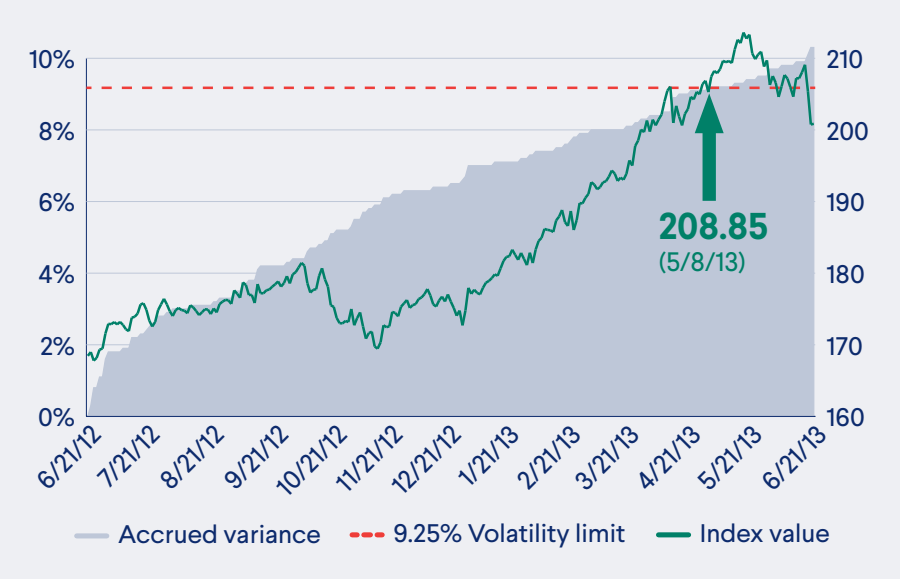
One of the most compelling benefits of our index crediting strategy is the enhanced upside potential allowed. By not paying up front for what volatility might be, you benefit in two main ways:

1. **Increased efficiency:** You aren't burdened with the costs associated with spikes in volatility, which can unnecessarily constrain growth.
2. **Maximized gains:** By locking in gains during high-volatility periods, which often coincide with market dips, the strategy ensures that your contributions are optimized for better returns.

The strategy in action

Hypothetical example of 100% participation rate with 9.25% volatility limit

Example 1: Limit reached with positive index credit



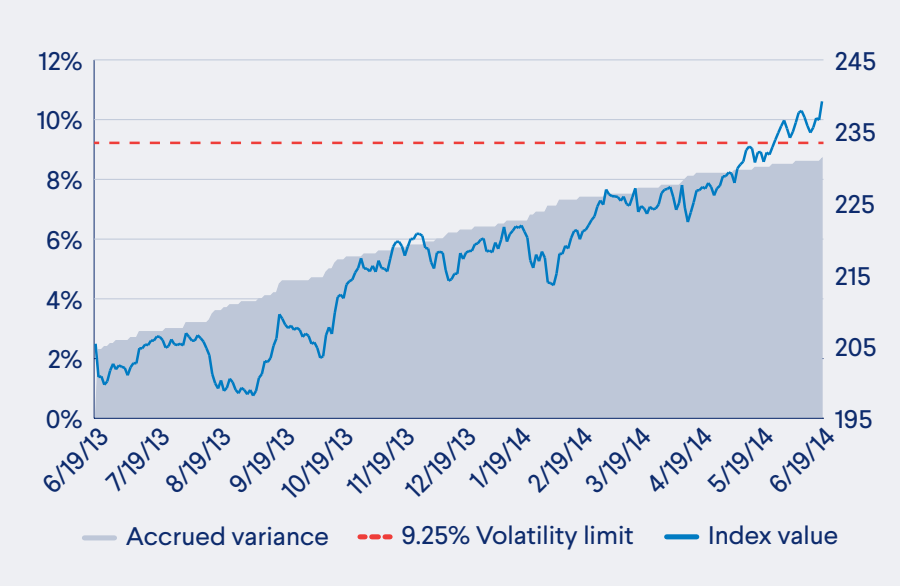
Scenario 1 assumptions	
Beginning index value	168.45
Index value on expiry date (9.25% Vol. Limit reached)	208.85
Index value on term end date	200.84
Gross index return (200.84/168.45)-1	**19.2%**
Net return (208.85/168.45)-1 X 100% participation rate	**24.0%**

In this example:

- The accrued variance meets the volatility limit on May 8, which is before the term end date of June 21.
- On May 8 (the expiry date), the index value of 208.85 Is locked in.
- When the term ends on June 21, we compare the expiry date index value to the beginning index value and see that the value on the expiry date is higher, resulting in a positive return.
- Since the return was positive, the participation rate will be applied to determine the index interest credit.

* Please note: The accrued variance may differ from the variance implied by any volatility target associated with the index.

Example 2: Limit not reached with positive index credit



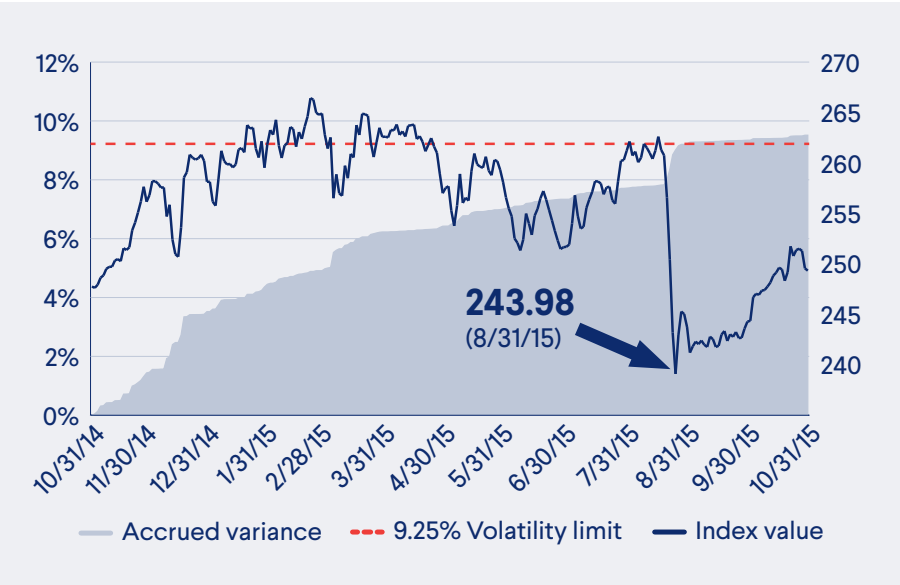
Scenario 2 assumptions	
Beginning index value	205.39
Index value on expiry date (9.25% Vol. Limit reached)	N/a
Index value on term end date	239.21
Gross index return (239.21/205.39)-1	**16.5%**
Net return (239.21/205.39)-1 X 100% participation rate	**16.5%**

In this example:

- The accrued variance never meets the volatility limit before the end of the term.
- Since the return was positive, the participation rate will be applied to determine the index credit.

Another possible outcome is shown below.

Example 3: Limit reached without index credit



Scenario 3 assumptions	
Beginning index value	247.74
Index value on expiry date (9.25% Vol. Limit reached)	243.98
Index value on term end date	249.32
Gross index return (249.32/247.74)-1	**0.64%**
Net return (243.98/247.74)-1	**0%**

In this example:

- The accrued variance meets the volatility limit before the end of the term.
- On August 31 (the expiry date), the index value of 243.98 Is locked in.
- When the term ends on 10/31, we compare the expiry date index value to the beginning index value and see that the value on the expiry date is lower, resulting in a negative return.
- Since the return was negative, we do not apply a participation rate and no interest is credited.

Fixed index annuity—at a glance

A fixed index annuity (FIA), is a contract between you and an insurance company that is designed to help you meet your long-term retirement needs. It is a product that offers you:

- Protection for your money against loss—with the opportunity for it to grow.
- The ability to earn interest based on the performance of a specific market index or a combination of indexes.
- A practical, no-nonsense, tax-advantaged way for consumers to save today and know they'll have guaranteed income in the future.

Since your money isn't invested directly in an index, your annuity's value will never decrease because of negative index performance. And the combination of compounded growth and a potentially lower tax bracket after you retire may help make your retirement savings go farther.

[1] Fixed index annuities are not securities and do not participate directly in the stock market or any index and are not investments. It is not possible to invest directly in an index.

Delaware Life

This brochure is a general description of the product. Please read your contract and disclosure statement for definition and complete terms and conditions, as this is a summary of the annuity's features.

Annuities are long-term investment vehicles designed for retirement purposes. They are not intended to replace emergency funds, to be used as income for day-to-day expenses, or to fund short-term savings goals. Delaware Life Insurance annuities have limitations, exclusions, charges, termination provisions, and terms for keeping them in force. Please contact your financial professional for complete details.

Products, riders, and features may vary by state, may not be available in all states, and are available for an additional fee. Products may vary by firm/broker-dealer. Ask your financial professional for more information.

Guarantees are backed by the financial strength and claims-paying ability of Delaware Life Insurance Company (Zionsville, IN). Delaware Life Insurance Company (Zionsville, IN) is authorized to transact business in all states (except New York), the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Policies and contracts are issued by Delaware Life Insurance Company.

This communication is for informational purposes only. It is not intended to provide, and should not be interpreted as, individualized investment, legal, or tax advice. To obtain such advice, please consult with your investment, legal, or tax professional.

delawarelife.com

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK OR CREDIT UNION GUARANTEE
NOT A DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF